

# **The Loan Checklist**

## **Use This Checklist Before You Make a Loan or Other Financing Arrangement**

The Consumer Law Committee of the Bar Association of Metropolitan St. Louis developed a "Before You Make The Loan" checklist as a public service. The Michigan Attorney General modified the checklist. The purpose of the checklist is to help people understand the terms of proposed loans. The presence of one or more "Yes" answers should not be assumed to be a negative reflection on the terms of a proposed loan or the practices of any lender, broker, foreclosure specialist, or other commercial entity (collectively referred to as "loan arranger").

Anyone thinking of borrowing money should carefully evaluate each proposed loan on its own terms!

### **What This List Is For:**

This checklist is to help you better understand the terms of the proposed real estate loan you are considering.

### **Who This List Is For:**

It is for you, if you are thinking of borrowing money to buy a home, refinancing your current home, or are seeking help to avoid foreclosure

### **How To Use This List:**

- **First**, read the list of questions.
- **Second**, give the list to the person who wants to arrange your loan BEFORE you agree to take out the loan.
- **Third**, ask the loan arranger to answer each question "Yes" or "No" in the check boxes provided, sign and date the checklist, and give the list back to you. You should keep the original. The loan arranger can make a copy if he or she wants to.
- **Fourth**, ask the loan arranger to explain each "Yes" answer and its effect on you.
- **Fifth**, if the loan arranger is unwilling to answer the questions, or if you are not satisfied with any of the explanations, consider looking elsewhere for a loan.

### **To the Loan Arranger:**

This checklist is to help your customer understand more about the terms of the loan you are offering. Please review the list, answer each question "Yes" or "No," sign and date the completed answers, give the answers back to your customer, and be ready to explain any of your answers to your customer. Thank you for your cooperation.

### **Borrower Note Cancellation Rights:**

Under the federal Truth in Lending Act (TILA), mortgages require a very specific rescission (cancellation) notice and a very accurate disclosure of credit terms. A three-business day cancellation period applies and remains open beyond the three days (but only up to three years) if the notice is not given or is defective. Consult an attorney with TILA experience.

### Part 1: Whom Am I Dealing With?

Number	QUESTION	YES	NO
1.	Is a mortgage broker arranging this loan?  Provide the Michigan license number _____		
2.	Are you planning to sell this loan to anyone?		
3.	Do you sell most, or all, of the loans you make?		
4.	Will I be making payments to a business you represent or to one or more individuals?  Payments will be made to _____		
5	Are any administrative or court proceedings pending against you or the company you represent?		

### Part 2: What Fees Am I Being Asked to Pay?

Number	QUESTION	YES	NO
6.	Will I be charged a fee by anyone for arranging this loan?  If yes, exactly how much? _____		
7.	Is anyone being paid a “yield spread premium” fee, a referral fee, or other similar fee in connection with this loan?  If yes, exactly how much? _____		
8.	Will I be charged a “loan origination” fee?  If yes, exactly how much? _____		
9.	Will I be charged a fee for preparing documents or underwriting?  If yes, exactly how much? _____		

Number	QUESTION	YES	NO
10.	Will I be charged more for credit reports than they actually cost you or the lender to get?  If yes, exactly what is the total charge? _____		
11.	Will I be charged for more than one appraisal on the house?  If yes, what is the total charge for the appraisals? _____		
12.	Will I be charged more for recording fees than they actually cost you or the lender?		
13.	Will I be charged a broker's fee?  If yes, exactly how much? _____		
14.	Will I be required to bring money to the closing?  If yes, exactly how much? _____		

### Part 3: What are the Terms of this Loan?

Number	QUESTION	YES	NO
15.	Will I be asked to sign a land contract, a lease, or a deed?		
16.	Will I have to pay more than 28% of my gross income to make the payments on this loan?		
17.	Will I be asked to get a co-signer to get this loan?		
18.	Will I be charged an interest rate of more than 3 points above the prime rate on this loan?		
19.	Will I be charged fees or "points" of more than 3% of the amount of the loan?		
20.	Will I be taking out a "line of credit" or similar unsecured loan?		
21.	Will there be a balloon payment at the end of this loan?		

Number	QUESTION	YES	NO
22.	Will the amount of my monthly payment be enough to make my outstanding balance go down each month?		
23.	Am I buying credit life or disability insurance as part of this loan?		
24.	Is there a penalty if I pay off the loan early?		
25.	Is there a mandatory arbitration clause in this loan?		
26.	Will you make me pay off old debts in order to get this loan?		
27.	Will this loan turn some of my unsecured debt into secured debt?		
28.	Is this loan going to be for more than the value of my house?		
29.	In combination with other loans I will have on my house, will this loan be for more than the value of my house?		

#### Part 4: Special Questions for Mortgage Brokers

Number	QUESTION	YES	NO
30.	Did you contact only one lender about my loan?		
31.	Did any lender offer or qualify me for a lower interest rate than the loan you are presenting to me?		

#### Part 5: If this is a Refinancing Loan, How Does It Compare to My Situation Now?

Number	QUESTION	YES	NO
32.	If this loan is for a refinancing, am I being asked to give up part-ownership of my house?		
33.	If this were a refinancing, would it cost me less interest and fees to simply take out a second loan for the new money I want to borrow now, rather than to completely refinance my house?		



